

8. Part-Time Educators

This section was written for you, the part-time educator. As a part-time educator you have access to all the benefits that CalSTRS offers. However, your part-time status presents you with special considerations in retirement planning. As a part-time educator, you have additional decisions about which retirement plan coverage to choose, as well as issues to consider that are unique to part-time employment.

Retirement Plan Coverage

Federal law requires all employment to be covered under a retirement plan. California state law requires all public school employers to provide the CalSTRS Defined Benefit Program. For employees in certificated positions whose time base is less than half-time, public school employers must also offer either Social Security or another retirement program as an alternative to Social Security. The CalSTRS Cash Balance Benefit Program, described on page 60, is one example of an alternative to Social Security. Your employer may offer other alternative retirement programs. See your employer for full details about the specific programs they offer.

Choosing Your Retirement Plan Coverage

If your basis of employment is less than 50 percent of full-time, here are some questions that may help you decide which retirement plan coverage is best for you:

- Do you plan to be a career teacher?
- Does teaching provide supplemental income for you or is it your primary source of income?
- Prior to teaching, did you have employment that required you to pay into Social Security?
- What is the contribution rate for the plan and does the employer also make contributions?
- Is there a minimum requirement to be eligible for benefits?
- Does the plan charge administrative fees?
- Is there a guaranteed annual interest rate?

- Does the plan have a record of sound investment experience?
- When does the plan permit distribution of your account?

Retirement Options for Public School Employees

Defined Benefit Program

Members of the CalSTRS Defined Benefit Program who are employed on a part-time or adjunct basis are a distinctive group within the System. Your retirement benefit calculation uses the same components as a member who works full time: age factor, final compensation and service credit, as described on pages 21–23. However, what is different for you is how two of those components, final compensation and service credit, are determined. Your final compensation and service credit depend on the amount you would have earned if you were working full time in your position. This amount of work is called “full-time equivalent” and this amount of compensation is called “earnable compensation.”

Full-Time Equivalent

The full-time equivalent is the time that a member who is employed on a part-time basis would be required to work in one school year if he or she were employed full time in that position. For members employed in a community college or on a part-time basis as an adult education instructor, the FTE is required to be identified specifically in either the

collective bargaining agreement or employment agreement. The FTE stated in the agreement must be at least the minimum number of days or hours specified by law:

If you are a:	Then the minimum FTE is:
Part-time community college instructor	525 instructional hours, plus mandatory office hours, if paid
Community college adult education instructor	875 instructional hours, plus mandatory office hours, if paid
K–12 teacher or any other person who works directly with pupils, including an instructor in an adult education program	175 days or 1,050 hours

Note: The FTEs provided above are **minimum** standards; your individual FTE could be higher if your employer requires full-time employees to work more days or hours in that same activity in a school year.

It is important to make sure that your employers determine your FTE properly. Different assignments, even with the same employer, may have different FTEs. You should refer to your employment agreement or collective bargaining agreement to obtain your employing district's established FTE for your type of employment. If you see a discrepancy, contact that employer's office that reports earnings to CalSTRS.

How Earnable Compensation Is Calculated

Your earnable compensation is not the compensation you actually were paid, but what you would have been paid if you worked full time in that position. Therefore, you take the hourly or daily rate for that position and multiply it by the full-time equivalent for the position to determine your earnable compensation.

How Final Compensation Is Calculated

One component of your retirement calculation is final compensation. Your final compensation is equal to the highest average annual earnable compensation for three consecutive years or 12 consecutive months, if you have earned 25 years of service credit.

How Service Credit Is Calculated

For part-time and adjunct faculty, service credit for one school year is equal to how much you actually earned in an assignment divided by your earnable compensation for that assignment. When a member works multiple assignments, service credit is the sum of the service credit earned in each individual assignment, up to one year of service credit in a school year.

Calculating Service Credit for a Part-time Community College and Adult Education Instructor

In one school year, Juanita teaches as a community college instructor for 262.5 hours, which is half of the FTE in her district. She also works as an adult education instructor for 350 hours or 40 percent of the FTE for that position. The table below shows how her service credit is calculated.

Percent Time Worked	Minimum FTE	Actual Earnings	÷	Full-Time Rate	=	Service Credit Earned
Community College Instructor						
50 % (262.5 hours)	525 hours	\$15,000	÷	\$30,000	=	.500
Adult Education Instructor						
40 % (350 hours)	875 hours	\$6,000	÷	\$27,000	=	.400
		Total Service Credit			=	.900
Juanita would earn .900 of service credit for the year.						

Percent Time Worked	Minimum FTE	Actual Earnings	÷	Full-Time Rate	=	Service Credit Earned
K-12 Instructor						
33 % (346.5 hours)	1,050 hours	\$13,860	÷	\$42,000	=	.330
Janet would receive .330 of service credit for the year.						

Calculating Service Credit for a Part-time K-12 Teacher

During the 2002–2003 school year, Janet taught 33 percent of the FTE for K–12 teachers in her district, or 346.5 hours. The full-time pay rate was \$42,000. Because she worked every day of her 33 percent teaching contract, she earned \$13,860 for the school year. Dividing what she could have earned as a full-time teacher by what she actually earned equals .33. The table above shows how her service credit is calculated.

Ways to Raise Your Defined Benefit Retirement Amount

Increasing Service Credit with Additional Assignments

If you work on a part-time or adjunct basis, you may wish to consider taking on additional assignments to earn more service credit if you are not earning one full year of service credit under your existing assignment. Service credit can now be earned for activities such as teaching summer school and intersession, attending staff development days and serving as a coach, band director, yearbook editor or department chair. Extra service will count as additional service credit and will be included in calculating your total service credit for that school year. However, when you near retirement, you may need to consider another factor.

Your Final Compensation When Working for Multiple Employers

As a part-time educator, when you have more than one employer, your earnable compensation is the sum of all your actual salaries divided by the sum of all your service credit earned for the school year. Your final compensation is the average annual earnable compensation during your final compensation period, which is generally your last three years of employment. When salary rates and service credit vary within a school year, your final compensation may be lower, which can lower your

retirement benefit. This means it is possible to earn a larger retirement benefit if you reduce the number of employers you work for during your final compensation period.

The following example shows how the calculation can affect the retirement benefit of a part-time educator.

Kali works part time at two high schools and a community college. He has 8.95 years of service. If he continues to work for all three employers during his last three years before retirement at age 63, here is how his final compensation would be calculated:

Employer	Earnings	Service Credit
A	\$ 3,360	.100
B	30,250	.500
C	6,563	.250
Total	\$40,173	.850
Kali's annual earnable salary is: \$40,173 ÷ .850 = \$47,262.		

To increase his retirement benefit, Kali could terminate the employment where he receives the lowest annual pay rate and his retirement benefit would be higher.

Employer	Earnings	Service Credit
A	\$ 3,360	.100
B	30,250	.500
Total	\$33,610	.600
His annual earnable for final compensation is: \$33,610 ÷ .600 = \$56,017.		

However, if Kali also terminates the position with the next lowest annual pay rate, his final compensation would be even higher.

Employer	Earnings	Service Credit
B	\$30,250	.500
Total	\$30,250	.500
His annual earnable for final compensation is: \$30,250 ÷ .500 = \$60,000		

Here's the impact of the three alternatives on Kali's retirement benefit calculation:

Works all three jobs:					
Service Credit	Age Factor		Monthly Final Compensation		
11.500	x	2.4%	x \$3,938	=	\$1,087 per month
Terminates job with Employer C at the lowest annual pay rate:					
Service Credit	Age Factor		Monthly Final Compensation		
10.750	x	2.4%	x \$4,668	=	\$1,204 per month, or \$117 more per month
Terminates all jobs except one with Employer B at the highest annual pay rate:					
Service Credit	Age Factor		Monthly Final Compensation		
10.450	x	2.4%	x \$5,042	=	\$1,265 per month, or \$178 more per month

Kali decided that the increase of \$178 per month in his retirement benefit was significant enough to terminate employment at two of his part-time jobs. Over the lifetime of his retirement, the difference in income would likely be about \$53,000, not including the 2 percent annual benefit adjustment (formerly COLA) and any ad hoc increases or purchasing power increases.

However, Kali could not afford to work at only one part-time job during his final three years before retirement. To compensate for the loss in salary, he found part-time employment outside teaching in the public school system.

Each person's situation is different. We recommend you meet with a benefits counselor before making decisions that may affect your retirement benefit.

Social Security

Your district will offer Social Security to its part-time employees if it does not offer an alternative retirement program. Be aware that under federal law if you qualify for Social Security from any employment (including your spouse's), your Social Security benefit may be reduced if you receive a retirement or disability benefit as a result of California public educator employment. However, your Defined Benefit Program or Cash Balance Program benefit will not be reduced if you receive Social Security benefits. For more information, see pages 15–16.

Because the provisions of Social Security are complex, call 800-772-1213 or visit www.ssa.gov to view publications for the Windfall Elimination Provision (reduction in employee's Social Security benefits) and Government Pension Offset (reduction in employee's Social Security benefits from spouse's employment).

Cash Balance Benefit Program

CalSTRS has designed a program specifically for part-time educators, which your district may offer as an alternative to Social Security. Your eligibility to participate in the CalSTRS program is determined by your basis of employment, rather than the actual hours you work.

Features of the CB Benefit Program include:

- **immediate vesting**
You do not have to wait to accumulate years of service credit to become eligible for benefits.
- **variable contribution rates can be bargained**
Your employer must contribute at least 4 percent of the salary you earn, and, generally, you also pay 4 percent. However, alternative rates may be bargained by each employer. You receive all contributions—both yours and your employer's—and interest, if you terminate public school employment.
- **secure investments**
The CB Benefit Program investment portfolio is managed by CalSTRS investment professionals, who have a long and successful record of achievement.
- **guaranteed interest rate**
The interest rate is set by the Teachers' Retirement Board for each plan year based on the 30-year Treasury rate. For 2003–04, the rate is 5.25 percent.
- **additional earnings credit**
The Teachers' Retirement Board may, on an annual basis, grant an additional earnings credit to be added to participant accounts.

- ***portability to meet the needs of a part-time educator***

In most cases, you can continue participation in the CB Benefit Program if you move to another employer that offers the program. If you become a member of the Defined Benefit Program and are no longer contributing to the CB Benefit Program, you may elect to receive credit in the DB Program for eligible CB service.

- ***options if you leave public school employment***

If you leave public school employment entirely, you have three options: leave the contributions on deposit in your account; roll over your CB Benefit Program funds to another eligible retirement plan or an IRA; or you can withdraw all contributions, including employer contributions, plus interest, subject to a one-year waiting period following the date you terminate employment.

- ***flexibility at retirement***

You can take your contributions, your employer's contributions, plus compounded interest in a lump sum. You can instead choose an annuity to provide monthly retirement benefits if your balance is at least \$3,500.

- ***no fees or charges for participation***
- ***all employee contributions are pre-tax dollars***
- ***payroll deduction***

Are You Eligible to Participate?

When you are hired by a K–12 district, county office of education or a community college district, your employer is required to notify you that you can elect membership in the CalSTRS Defined Benefit Program, even though you are a part-time employee. You have the option to decide on participating in the CB Benefit Program, the DB Program or an alternative plan your employer may offer. If you choose the CB Benefit Program and your basis of employment is changed to half-time or more, you will automatically become a member of the CalSTRS DB Program.

However, as long as your basis of employment remains less than half time, you have the *choice* of participating either in the CalSTRS CB Benefit Program or the CalSTRS Defined Benefit Program if you are employed in a district that offers the CB Benefit Program.

Participating School Districts Can Offer CB Benefit Program

School districts and community colleges can offer their part-time employees the CB Benefit Program. Offering the CB Benefit Program may be bargained, as some districts are doing currently. Contact your district(s) or county superintendent of schools or union representative to determine if the CB Benefit Program is available.

Working for Multiple Employers

You can contribute to the CB Benefit Program at one or more participating school districts or community colleges if your basis of employment is less than half time for each position at each school or college district.

Choosing Between Defined Benefit and Cash Balance

Here are two examples illustrating different part-time employment situations. Each part-time educator makes a different choice regarding retirement.

Matthew

A long-time English teacher who works 10 hours per week at a community college, Matthew also works part time as a Web page designer. Like all part-time teachers, Matthew may elect membership in the CalSTRS Defined Benefit Program, but is concerned that he will not work long enough for his school district to vest in the program. His other job requires that he pay into Social Security and he plans to continue working there.

Matthew enrolls in the Cash Balance Benefit Program because he prefers the lower contribution rate. He may eventually decide to teach full time or move on to a non-teaching job. Still uncertain of his career plans, he likes the flexibility of the Cash Balance Benefit Program.

Celeste

Celeste starts as a part-time third grade teacher. Eventually, she hopes to move on to a full-time position. She knows she should save for retirement while she is young, but money is tight. Celeste likes the security and stability that CalSTRS offers through the Defined Benefit Program. However, it will take her several years to accumulate the five years of

service credit needed to qualify for the Defined Benefit Program benefits while contributing 8 percent of her salary.

Celeste notes that although the Defined Benefit Program means a higher retirement contribution than the Cash Balance Benefit Program, it will ensure a set monthly benefit during her retirement not based on the amount in her account, but on a retirement formula. (A Cash Balance Benefit account of at least \$3,500 ensures a set monthly benefit based on the amount in the account.) Celeste plans to continue teaching long enough to fully vest in the Defined Benefit Program and does not plan to contribute to Social Security through other employment. The 8 percent contribution, although financially difficult, is worth it to her in the long run. Celeste enrolls in the Defined Benefit Program.

Consolidating Benefits under the Defined Benefit Program and the Cash Balance Benefit Program

You may have benefit coverage under both the DB Program and the CB Benefit Program due to past CB-covered employment. If you meet eligibility requirements, you may elect to have CalSTRS consolidate your benefit coverage under the DB Program. To be eligible, you must currently be making contributions under the DB Program, you can no longer be contributing to your CB account, you must have eligible CB service to convert, and you must have funds in your CB account.

When you elect to consolidate your benefits, CalSTRS will transfer the contributions and interest from your CB account to the DB Program and close your CB account. CalSTRS will determine the service credit that could be added to your DB account based on the amount of the funds in your CB account, and will apply those funds toward the cost of covering your eligible CB service under the DB Program. In many cases, CB Benefit Program contributions and interest will not cover the full cost of all eligible CB service that you performed because the contributions required to cover service under the DB Program are twice as much as contributions required under the CB Benefit Program.

In some cases, you may have more funds in your CB account than are required to cover the cost of your eligible service. This could occur if, for example, your CB account includes funds that were rolled over from another retirement plan or you had past overtime service that was covered by CB. If this occurs, you may specify how you would like CalSTRS to allocate the residual amount in your CB account after funds are transferred to cover the cost of consolidating benefits. You may use the residual amount to redeposit previously withdrawn contributions or use it to pay for additional service that you are eligible to purchase. The types of service that you may purchase are outlined in the *Purchase Additional Service Credit* brochure. Any funds remaining in your account that are not used for these purposes will be transferred to your Defined Benefit Supplement account and your CB account will be closed as part of the benefit consolidation process.

Consolidating benefits provides several advantages. You may increase the amount of service credit that will be used to determine your retirement benefit, which may increase your monthly retirement benefit. Credit for your eligible CB Benefit Program service may also be used toward eligibility for benefit enhancements, such as one-year final compensation, career factor and longevity bonus.

For more information about the CalSTRS Cash Balance Benefit Program or to request *FAQs About Consolidating Benefit Coverage*, call 800-228-5453 or visit www.calstrs.com. You may e-mail questions to cashbal@calstrs.com.